

This checklist was developed for use by examiners as part of policy and forms review.

Checklist for Group Annuity Products

Insurer _____

NAIC# _____

Name of Product _____

Contact Person, Title _____

Address _____

Telephone _____ Fax _____

Date received _____ Reviewed by _____

SRB # _____

Notes:

Actuarial Memorandum for Group Annuity Products

Note: An actuarial memorandum is not required for all group annuity products. The Division of Insurance will request one for products whose complexity requires actuarial support or justification.

- ___ The actuarial memorandum prepared and signed by an actuary must include the following:
 - ___ A description of the product;
 - ___ The mathematical formulas, sample numerical calculations and a detailed statement of the method used to compute contract values and reserves and nonforfeiture benefits;
 - ___ A statement that each form's nonforfeiture values are not less than those required by Massachusetts law OR
 - ___ A statement that no nonforfeiture values are required by Massachusetts law, and a detailed demonstration on how net premiums and/or values meet the exclusionary requirement of M.G.L. c. 175, § 144. *SRB Bulletin 90-02*
- ___ Any additional data, tables, and information necessary for a comprehensive review of the forms. *SRB Bulletin 90-02*

Definition of a group annuity

In order to be a group annuity, the group must meet one of the following definitions:

- ___ a person, firm or corporation, as employer,
 - ___ providing for the payment of annuities on all of the employees or any specified class of employees
 - ___ requires that the payments be made by the employer or the employer and employees**But note that this does not apply to any group annuity plan subject to section 403(b) of the Internal Revenue Code (which relates to the taxability of a beneficiary under an annuity purchased by a section 501(c)(3) organization or a public school).**
M.G.L. c. 175, § 132A(a)
- ___ an association of employers
 - ___ providing for the payment of annuities on all of the employees of any or all of the members of the association or any specified class.
 - ___ requires that the payments are made either wholly by each employer or jointly by the employer and employees or with gifts or other voluntary contributions received by the association. *M.G.L. c. 175, § 132A(b)*
- ___ a trade union or other association of wage earners described in chapter 175, section 29 (“whose principal objects are to deal with the relations between employers and employees relative to wages, hours of labor and other conditions of employment”), and providing for the payment of annuities on all of the members of the union or association or of any specified class or classes, and which requires that the payments are made wholly from funds contributed by the union or association, the employer(s), or both, or partly from funds contributed by the workers *M.G.L. c. 175, § 132A(c)*
- ___ the trustee(s) of a fund established by one or more employers, or one or more trade unions or associations of wage workers described in chapter 175, section 29 (“whose principal objects are to deal with the relations between employers and employees relative to wages, hours of labor and other conditions of employment”), or by one or more employers and one or more unions or associations, and providing for the payment of annuities on all of the employees or all of the members, or all of any class, and which requires that the payments may not be wholly paid by the covered persons, except in the case of a partner or single proprietor. *M.G.L. c. 175, § 132A(d)*

If the group does not meet one of the above definitions, then the product is not a group annuity and must meet all requirements for individual annuities.

General Requirements

- ___ All contracts must be headed by the corporate name of the company. If two or more insurers are under a common management and represent themselves to be or are customarily known as an insurance company group or similar insurance trade designation, they may, with the approval of the commissioner, head or title contracts with the name of the group or similar trade designation or with the names of the individual members of the group, provided that the company assuming the insurance is specifically identified. *M.G.L. c. 175, §18*
- ___ All contracts must be signed by the insurer's secretary or an assistant secretary, or in their absence by a temporary secretary, and by its president or a vice-president, or in their absence by two directors. Riders or endorsements may be signed by one of the aforesaid officers of the company. (Note: does not apply to riders or endorsements providing special benefits under M.G.L. c. 175, § 24.) A facsimile of the required signature is acceptable. *M.G.L. c. 175, §33*

Prohibitions

General Prohibitions

Prohibitions under M.G.L. c. 175, § 22: No annuity may contain any condition, stipulation or agreement:

- ___ Depriving the courts of the commonwealth of jurisdiction of actions against it;
 - ___ Limiting the time for commencing actions against it to a period of less than two years from the time when the cause of action accrues;
 - ___ Making any person appointed and licensed as its agent the agent of the applicant, insured, policyholder or contract holder for any purpose;
 - ___ Providing that no person shall be deemed an agent of the company unless authorized by the company in writing;
 - ___ Providing that any policy or contract made in the commonwealth on lives, property or interests therein shall be governed by the laws of any other state or country.
-
- ___ Contracts may not include a requirement that all disputes or controversies be resolved by binding arbitration. But note that any provision that says the parties *may* agree to mediation or arbitration is permissible. The prohibition is based on the requirement that applicants waive their legal rights, or the rights of beneficiaries, set forth in M.G.L. c. 93A, § 9.
 - ___ Contracts may not include a limitation or exclusion on the recovery of punitive damages in the event of a dispute or controversy. *Such a limitation would be inconsistent with rights granted under M.G.L. c. 93A.*

Anti-discrimination provisions

- No life company shall make or permit any distinction or discrimination in favor of individuals between insureds of the same class and equal expectation of life in the amount or payment of premiums or rates charged for an annuity contract, or in the dividends or other benefits payable thereon, or in any other of the terms and conditions of the contracts it makes. *M.G.L. c. 175, § 120*

Mandatory Contract Provisions

Group annuity contracts must contain the following provisions, in substantially similar language or language more favorable to the annuitants, or not less favorable to the annuitants and more favorable to the holder:

- ___ That the holder is entitled to thirty days of grace within which the payment of any considerations or stipulated payments falling due on the contract after one year from its date of issue may be made, subject, at the option of the company, to an interest charge at a rate, to be specified in the contract, not exceeding six per cent per annum for the number of days of grace elapsing before payment of the considerations or stipulated payments. *M.G.L. c. 175, § 132B 1*. Note: this would not apply to single premium contracts.
- ___ That (1) the contract, or (2) a provision that the contract and the application of the holder, a copy of which will be attached thereto, or (3) a provision that the contract and the application of the holder, a copy of which will be attached thereto, and the individual applications of the annuitants filed with the company and referred to in the contract, will constitute the entire agreement between the parties. *M.G.L. c. 175, § 132B 2*.
- ___ That if the sex, age, service, salary or any other fact affecting the amount of any considerations or stipulated payments payable to the company or the amount or the date or dates of payment of any benefits with respect to any annuitant has been misstated, the considerations or stipulated payments, or the benefits, or both, will be the amount which would have been payable if such fact or facts had not been misstated, and that, in no case, will the company be liable to pay any greater benefit with respect to any annuitant than that which would be payable on the basis of the true facts and the actual considerations or stipulated payments received by the company. *M.G.L. c. 175, § 132B 3*.
- ___ That in case of the termination, otherwise than by death, of the employment of an annuitant or the discontinuance of the payment of considerations or stipulated payments under the contract, an annuitant who contributes to such considerations or payments will be entitled to a paid-up annuity, payable commencing on a fixed date, based upon the same mortality table, rate of interest and loading formula used by the company in computing such considerations or payments; that the annuity will be for an amount at least equal to that purchased by the contributions of the annuitant, determined as of the respective dates of payment of his several contributions, as shown by a schedule which will be included in the contract; that, if the amount of such paid-up annuity is less than sixty dollars annually, the company may, at its option, in lieu of such paid-up annuity, pay as a cash surrender value an amount at least equal to ninety-six per cent of the aggregate amount of the annuitant's contributions, without interest, and that the value may be paid either in a single sum or in equal installments over a period of not more than twelve months; and that, in case of the death of the annuitant prior to the commencement date of the annuity, the company will pay a death benefit at least equal to the aggregate amount of the annuitant's contributions, without interest, but not exceeding the aggregate amount of the considerations or stipulated payments made to the company on account of the annuitant, with interest. A group annuity contract which is a contract on a variable basis need not comply with the foregoing requirements provided that such contract specifies, in a manner satisfactory to the commissioner, the nature and the basis of the ascertainment of benefits to be paid to or in respect of an annuitant who has contributed to the considerations or payments under such a contract. *M.G.L. c. 175, § 132B 4*.

- ___ That the company will issue to the holder of the contract, for delivery to each annuitant who contributes to the considerations or stipulated payments thereunder, an individual certificate setting forth a summary of the benefits to which he is entitled under the contract. *M.G.L. c. 175, § 132B 5.*
- ___ That, in the case of a participating contract, any dividend or dividends apportioned thereunder by the company will be paid in cash to the holder for his or its own benefit; or a provision that any such dividend or dividends will be applied in reduction of the considerations or stipulated payments, or portion thereof, paid or payable by the holder; or a provision that any such dividend or dividends may be paid in cash or applied, as aforesaid. *M.G.L. c. 175, § 132B 6.*
- ___ That in case of a non-participating contract that provides for experience rating credits, one of the following:
 - ___ any such credit or credits which may be allowed by the company will be paid in cash to the holder of the contract for his or its own benefit: or
 - ___ a provision that any such credit or credits will be applied in reduction of the considerations or stipulated payments, or portion thereof, paid by the holder; or
 - ___ a provision that any such credit or credits may be paid in cash or applied, as aforesaid. *M.G.L. c. 175, § 132B 7.*

Compliance with M.G.L. c. 175, § 118:

- ___ Must state the amount of benefits payable, the manner of payment and the consideration;
- ___ Benefits cannot be contingent upon assessments upon survivors

Note: extra compensation may be charged by a company to the insured for engaging in naval or military service in time of war.

Note: for variable annuities, compliance with 132G (“Any contract on a variable basis delivered or issued for delivery in this commonwealth shall contain a statement of the essential features of the procedure to be followed by the life company in determining the amount of variable benefits, payments or values thereunder. Any such contract, including a group contract and any certificate issued thereunder, shall state that the amount of variable benefits, payments or values thereunder may decrease or increase according to such procedure, and shall contain on its first page, in a prominent position, a statement that the benefits, payments or values thereunder are on a variable basis”) will meet the requirements of this section.

Optional Contract Provisions

The following provisions may in substance be included (*i.e.*, the contract does not have to have these provisions; however, if included, they must be substantially similar to the following):

- ___ A provision that, in case of the termination, otherwise than by death, of the employment of an annuitant or the discontinuance of the payment of considerations or stipulated payments thereunder, benefits will be payable to the holder, and, in such a case, the contract will specify the nature and the basis of the ascertainment of any such benefits. *M.G.L. c. 175, § 132B*
- ___ Any such contract may, by mutual agreement of the company and the holder, contain any provision which is required or authorized by, or is necessary to conform the contract to, or to give the holder the benefit of, any federal statute or any rule or regulation of the United States Treasury Department. *M.G.L. c. 175, § 132B*

Optional conversion, alteration, or exchange of policies or contracts

- ___ Any life company may, at the request of the holder, exchange, alter or convert any annuity issued by it, or a company that is admitted and authorized under chapter 175 and is an affiliate of it, as defined in section 206, hereinafter called the original policy, for or into any policy of life or endowment insurance, hereinafter called the rewritten policy, as of the date of the most recently issued original policy or as of the current date, or as of any intermediate date, conforming with the laws in force as of the date of issue which the rewritten policy bears; provided, that:
 - ___ if the rewritten policy bears a date prior to the date of application for exchange, alteration or conversion, the amount of insurance under the rewritten policy may not exceed the greater of (a) the amount of insurance under the original policy or policies if of life or endowment insurance, or (b) the amount of insurance which the premium paid for the original policy or policies would have purchased if the rewritten policy had been originally issued as of the date of issue it bears. Nothing in section 120 shall be construed to prohibit the exchange, alteration or conversion of a policy of life or endowment insurance or annuity under this section, and sections 123 and 130 shall not apply to a rewritten policy issued under the authority of this section. Nothing in section 131 or section 132 shall be construed to prohibit making the application for the original policy, if one of life or endowment insurance, or the application for the rewritten policy issued under authority of this section, or both such applications, a part of the rewritten policy, by endorsing thereon or attaching thereto a copy of either or both such applications. Nothing in said section one hundred and thirty-two shall be construed to prohibit the incorporation, by a rider or endorsement or otherwise, in a rewritten policy issued under authority of this section and bearing a then current date or an intermediate date of a stipulation making the incontestable provision required by said section 132 operative from the date of issue of the most recently issued original policy, if one of life or endowment insurance. *M.G.L. c. 175, § 139*

Variable Products

Is this a variable annuity?

☐ yes ☐ no

Variable annuities must comply with M.G.L. c. 175, § 132G: *Unless otherwise specified, all of the following provisions should be cited as "M.G.L. c. 175, § 132G."*

Any life company may issue contracts on a variable basis and, in connection with such contracts, may establish one or more separate investment accounts, hereinafter called "separate accounts," independent of its general investment account.

This applies to group annuities, and any supplementary agreements, issued by a life company providing for the amount of benefits or other contractual payments or values thereunder to vary, in whole or in part, so as to reflect the investment results of a separate investment account or accounts established under this section in which amounts received in connection with any such contract have been placed or, with the approval of the commissioner, to vary, in whole or in part, on some other basis fixed by the contract.

☐ The insurer must be authorized to issue variable annuity products.

☐ The filing must include the group contract and the individual certificate to be issued. *M.G.L. c. 175, § 132G*

All variable annuity contracts must contain the following provisions:

☐ All amounts received by the life company which are required by a contract on a variable basis to be applied to provide variable benefits, payments or values thereunder shall be placed in the appropriate separate account or accounts, and, if and to the extent so provided under the applicable contracts, that portion of the assets of any such separate account equal to the reserves and other contract liabilities with respect to such account shall not be chargeable with liabilities arising out of any other business the life company may conduct.

☐ The income, if any, and gains or losses, realized or unrealized, on each such separate account shall be credited to or charged against the amounts placed in such account without regard to the other income, gains or losses of the company.

☐ Amounts payable to the life company under any contract on a variable basis may, with the consent of the life company, be paid by transferring investments to the life company.

☐ Except as otherwise provided in clause (i) of following paragraph, assets in any separate account must be valued at their market value at the date as of which valued in accordance with the terms of the applicable contracts, or if there is no readily available market, then in accordance with the terms of such contracts. Separate account assets and liabilities must be included in the annual statement required by section twenty-five.

☐ The life company's reserve liability for contracts on a variable basis must be in accordance with actuarial procedures which recognize the variable nature of the benefits, payments or values to be provided.

- ___ A contract on a variable basis may provide for benefits payable in fixed amounts and for values or funds guaranteed as to principal amount or stated rate of interest; provided, that to the extent, that the life company's reserve liability with respect to guaranteed benefits, values or funds is maintained in any separate account, either
 - ___ (i) a portion of the assets of such separate account at least equal to such reserve liability must be invested in accordance with the requirements applicable to the life company's general investment account; provided, however, that such guaranteed separate account need not comply with the requirement of paragraph 14A of section sixty-three to the effect that not more than one-half of the reserve of any domestic stock or mutual life company shall be invested in corporate obligations authorized under said paragraph 14A, and shall be valued and computed as provided in section twenty-five or
 - ___ (ii) the insurer must annually prepare an actuarial opinion that, after taking into account any risk charge payable from the assets of such separate account with respect to such guarantee, the assets in such separate account make good and sufficient provision for the fixed and guaranteed obligations of the insurer under such contract, and such opinion shall be accompanied by a memorandum of the actuary providing the opinion describing the calculations made in support of such opinion and the assumptions used in the calculations. Such actuarial opinion and accompanying memorandum must be maintained in the insurer's home office and be available for examination.
- ___ A statement of the essential features of the procedure to be followed by the life company in determining the amount of variable benefits, payments or values thereunder.
- ___ A statement that the amount of variable benefits, payments or values thereunder may decrease or increase according to such procedure.
 - ___ On its first page, in a prominent position, a statement that the benefits, payments or values thereunder are on a variable basis. Any such contract containing such statements shall be deemed to contain a distinct statement of the amount of benefits payable as required by section 118 of chapter 175.
- ___ Notwithstanding any other provision of law, any domestic life company which establishes one or more separate accounts in connection with contracts on a variable basis may provide to the holders of interests in any such separate account voting rights with respect to the management of such separate account and the investment of assets therein, may establish for such separate account a committee, board or other body the members of which (1) may be elected solely by holders having such voting rights and (2) may or may not be otherwise affiliated with such life company, and may provide for compliance with any applicable state and federal law, in order that contracts on a variable basis may be lawfully sold or offered for sale.
- ___ Notwithstanding any other provision of law, any domestic life company may, with respect to any separate account it establishes and registers with the Securities and Exchange Commission as a unit investment trust, exercise voting rights in connection with any securities of a regulated investment company registered under the Federal Investment Company Act of 1940 [15 U.S.C.A. §80a-1 *et seq.*] in accordance with instructions from persons having interests in such account ratably as determined by the company.

Individual Certificate

Mandatory Provisions

The individual certificates for the group annuity contract must contain the following provisions, in substantially similar language or language more favorable to the annuitants or not less favorable to the annuitants and more favorable to the holder:

- ___ That if the sex, age, service, salary or any other fact affecting the amount of any considerations or stipulated payments payable to the company or the amount or the date or dates of payment of any benefits with respect to any annuitant has been misstated, the considerations or stipulated payments, or the benefits, or both, will be the amount which would have been payable if such fact or facts had not been misstated, and that, in no case, will the company be liable to pay any greater benefit with respect to any annuitant than that which would be payable on the basis of the true facts and the actual considerations or stipulated payments received by the company. *M.G.L. c. 175, § 132B 3.*
- ___ That in case of the termination, otherwise than by death, of the employment of an annuitant or the discontinuance of the payment of considerations or stipulated payments under the contract, an annuitant who contributes to such considerations or payments will be entitled to a paid-up annuity, payable commencing on a fixed date, based upon the same mortality table, rate of interest and loading formula used by the company in computing such considerations or payments; that the annuity will be for an amount at least equal to that purchased by the contributions of the annuitant, determined as of the respective dates of payment of his several contributions, as shown by a schedule which will be included in the contract; that, if the amount of such paid-up annuity is less than sixty dollars annually, the company may, at its option, in lieu of such paid-up annuity, pay as a cash surrender value an amount at least equal to ninety-six per cent of the aggregate amount of the annuitant's contributions, without interest, and that the value may be paid either in a single sum or in equal installments over a period of not more than twelve months; and that, in case of the death of the annuitant prior to the commencement date of the annuity, the company will pay a death benefit at least equal to the aggregate amount of the annuitant's contributions, without interest, but not exceeding the aggregate amount of the considerations or stipulated payments made to the company on account of the annuitant, with interest. A group annuity contract which is a contract on a variable basis need not comply with the foregoing requirements provided that such contract specifies, in a manner satisfactory to the commissioner, the nature and the basis of the ascertainment of benefits to be paid to or in respect of an annuitant who has contributed to the considerations or payments under such a contract. *M.G.L. c. 175, § 132B 4.*
- ___ Every deferred annuity contract, other than a single premium contract, issued and delivered in the commonwealth by a domestic life company shall provide that, in the event of the nonpayment of any premium after three full years' premiums have been paid, the annuity shall, without any further act or stipulation, be converted into a paid-up annuity for such proportion of the original annuity as the number of completed years' premiums paid bears to the total number of premiums required under the contract; provided, however that this

subdivision shall not apply to any annuity contract subject to the provisions of section one hundred and forty-four A. *M.G.L. c. 175, § 144, 9*

For variable products only:

- ___ A statement of the essential features of the procedure to be followed by the life company in determining the amount of variable benefits, payments or values thereunder.
- ___ A statement that the amount of variable benefits, payments or values thereunder may decrease or increase according to such procedure.
- ___ On its first page, in a prominent position, a statement that the benefits, payments or values thereunder are on a variable basis. Any such contract containing such statements shall be deemed to contain a distinct statement of the amount of benefits payable as required by section one hundred and eighteen. *The cite for the above (regarding is M.G.L. c. 175, § 132G*

Optional Provisions

The following provisions may in substance be included (*i.e.*, the individual certificate does not have to have these provisions; however, if included, they must be substantially similar to the following):

- ___ A provision that, in case of the termination, otherwise than by death, of the employment of an annuitant or the discontinuance of the payment of considerations or stipulated payments thereunder, benefits will be payable to the holder, and, in such a case, the contract will specify the nature and the basis of the ascertainment of any such benefits. *M.G.L. c. 175, § 132B*
- ___ Any such contract may, by mutual agreement of the company and the holder, contain any provision which is required or authorized by, or is necessary to conform the contract to, or to give the holder the benefit of, any federal statute or any rule or regulation of the United States Treasury Department. *M.G.L. c. 175, § 132B*

Nonforfeiture Requirements

Note that every deferred annuity contract, other than a single premium contract, issued and delivered in the commonwealth by a domestic life company shall provide that, in the event of the nonpayment of any premium after three full years' premiums have been paid, the annuity shall, without any further act or stipulation, be converted into a paid-up annuity for such proportion of the original annuity as the number of completed years' premiums paid bears to the total number of premiums required under the contract; provided, however that **this subdivision shall not apply to any annuity contract subject to the provisions of section one hundred and forty-four A. M.G.L. c. 175, § 144, 9**

M.G.L. c. 175, § 144A applies to fixed annuities or the fixed account, if any, of variable annuities, but only to the following group products:

___ group annuity purchased under a retirement plan or plan of deferred compensation established or maintained by an employer, including a partnership or sole proprietorship, or by an employee organization, or by both, that provides individual retirement accounts or individual retirement annuities under Section 408 of the Internal Revenue Code
M.G.L. c. 175, § 144A, 10.

No contract of annuity that is subject to section 144A may be delivered or issued for delivery in Massachusetts unless it contains in substance the following provisions, or corresponding provisions which in the opinion of the Commissioner are at least as favorable to the contract holder, upon cessation of payment of considerations under the contract:

___ That upon cessation of payment of considerations under a contract, the company will grant a paid-up annuity benefit on a plan stipulated in the contract of such value as is specified as follows: *M.G.L. c. 175, §144A 1.(a)*

___ Any paid-up annuity benefit available under a contract must be such that its present value on the date annuity payments are to commence is at least equal to the minimum nonforfeiture amount on that date. The present value must be computed using the mortality table, if any, and the interest rates specified in the contract for determining the minimum paid-up annuity benefits guaranteed in the contract. *M.G.L. c. 175, §144A 3.*

___ For contracts which provide cash surrender benefits, the cash surrender benefits available prior to maturity may not be less than the present value as of the date of surrender of that portion of the maturity value of the paid-up annuity benefit which would be provided under the contract at maturity arising from considerations paid prior to the time of cash surrender reduced by the amount appropriate to reflect any prior withdrawals from or partial surrenders of the contract, such present value being calculated on the basis of an interest rate not more than one per cent higher than the interest rate specified in the contract for accumulating the net considerations to determine such maturity value, decreased by the amount of indebtedness to the company on the contract, including interest due and accrued, and increased by any existing additional amounts credited by the company to the contract. In no event may any cash surrender benefit be less than the minimum nonforfeiture amount at that time. The death

benefit under such contracts must be at least equal to the cash surrender benefit. *M.G.L. c. 175, §144A 4.*

- ___ For contracts which do not provide cash surrender benefits, the present value of any paid-up annuity benefit available as a nonforfeiture option at any time prior to maturity may not be less than the present value of that portion of the maturity value of the paid-up annuity benefit provided under the contract arising from considerations paid prior to the time the contract is surrendered in exchange for, or changed to, a deferred paid-up annuity, such present value being calculated for the period prior to the maturity date on the basis of the interest rate specified in the contract for accumulating the net considerations to determine such maturity value, and increased by any existing additional amounts credited by the company to the contract. For contracts which do not provide any death benefits prior to commencement of any annuity payments, such present values must be calculated on the basis of such interest rate and the mortality table specified in the contract for determining the maturity value of the paid-up annuity benefit. However, in no event shall the present value of a paid-up annuity benefit be less than the minimum nonforfeiture amount at that time. *M.G.L. c. 175, §144A 5.*
- ___ For the purpose of determining the benefits calculated under §144A 4 and 5 (above), in the case of annuity contracts under which an election may be made to have annuity payments commence at optional maturity dates, the maturity date shall be deemed to be the latest date for which election shall be permitted by the contract, but shall not be deemed to be later than the anniversary of the contract next following the annuitant's seventieth birthday or the tenth anniversary of the contract, whichever is later. *M.G.L. c. 175, §144A 6.*
- ___ Any paid-up annuity, cash surrender or death benefits available at any time, other than on the contract anniversary under any contract with fixed scheduled considerations, must be calculated with allowance for the lapse of time and the payment of any scheduled considerations beyond the beginning of the contract year in which cessation of payment of considerations under the contract occurs. *M.G.L. c. 175, §144A 8.*
- ___ If a contract provides for a lump sum settlement at maturity, or at any other time, that upon surrender of the contract at or prior to the commencement of any annuity payments, the company will pay in lieu of any paid-up annuity benefit a cash surrender benefit of such amount as is specified below. The company shall reserve the right to defer the payment of such cash surrender benefit for a period of six months after demand therefor with surrender of the contract. *M.G.L. c. 175, §144A 1. (b)*
- ___ Any paid-up annuity benefit available under a contract must be such that its present value on the date annuity payments are to commence is at least equal to the minimum nonforfeiture amount on that date. The present value must be computed using the mortality table, if any, and the interest rates specified in the contract for determining the minimum paid-up annuity benefits guaranteed in the contract. *M.G.L. c. 175, §144A 3.*
- ___ For contracts which provide cash surrender benefits, the cash surrender benefits available prior to maturity may not be less than the present value as of the date of surrender of that portion of the maturity value of the paid-up annuity benefit which would be provided under the contract at maturity arising from considerations paid prior to the time of cash surrender reduced by the amount appropriate to reflect any prior withdrawals from or partial surrenders of the contract, such present value being

calculated on the basis of an interest rate not more than one per cent higher than the interest rate specified in the contract for accumulating the net considerations to determine such maturity value, decreased by the amount of indebtedness to the company on the contract, including interest due and accrued, and increased by any existing additional amounts credited by the company to the contract. In no event may any cash surrender benefit be less than the minimum nonforfeiture amount at that time. The death benefit under such contracts must be at least equal to the cash surrender benefit. *M.G.L. c. 175, §144A 4.*

— For the purpose of determining the benefits calculated under subdivisions 4 and 5 (above), in the case of annuity contracts under which an election may be made to have annuity payments commence at optional maturity dates, the maturity date shall be deemed to be the latest date for which election shall be permitted by the contract, but shall not be deemed to be later than the anniversary of the contract next following the annuitant's seventieth birthday or the tenth anniversary of the contract, whichever is later. *M.G.L. c. 175, §144A 6.*

— Any paid-up annuity, cash surrender or death benefits available at any time, other than on the contract anniversary under any contract with fixed scheduled considerations, must be calculated with allowance for the lapse of time and the payment of any scheduled considerations beyond the beginning of the contract year in which cessation of payment of considerations under the contract occurs. *M.G.L. c. 175, §144A 8.*

— A statement of the mortality table, if any, and interest rates used in calculating any minimum paid-up annuity, cash surrender or death benefits that are guaranteed under the contract, together with sufficient information to determine the amounts of such benefits. *M.G.L. c. 175, § 144A, 1.(c).*

— A statement that any paid-up annuity, cash surrender or death benefits that may be available under the contract are not less than the minimum benefits required by any statute of the state in which the contract is delivered and an explanation of the manner in which such benefits are altered by the existence of any additional amounts credited by the company to the contract, any indebtedness to the company on the contract or any prior withdrawals from or partial surrenders of the contract. *M.G.L. c. 175, §144A 1.(d)*

But note that: Notwithstanding the requirements of section 144A, any deferred annuity contract may provide that if no considerations have been received under a contract for a period of two full years and the portion of the paid-up annuity benefit at maturity on the plan stipulated in the contract arising from considerations paid prior to such period would be less than twenty dollars monthly, the company may at its option terminate such contract by payment in cash of the then present value of such portion of the paid-up annuity benefit, calculated on the basis of the mortality table, if any, and interest rate specified in the contract for determining the paid-up annuity benefit, and by such payment shall be relieved of any further obligation under such contract. *M.G.L. c. 175, §144A 1.*

— The minimum values as specified in subdivisions 3, 4, 5, 6 and 8 of chapter 144A of any paid-up annuity, cash surrender or death benefits available under an annuity contract must be based upon the following nonforfeiture amounts:

- With respect to contracts providing for flexible considerations, the minimum nonforfeiture amount at any time at or prior to the commencement of any annuity payments must be equal to an accumulation up to such time at a rate of interest of three per cent per annum of percentages of the net considerations, as hereinafter defined, paid prior to such time, decreased by the sum of
 - (i) any prior withdrawals from or partial surrenders of the contract accumulated at a rate of interest of three per cent per annum; and
 - (ii) the amount of any indebtedness to the company on the contract, including interest due and accrued; and increased by any existing additional amounts credited by the company to the contract.The net considerations for a given contract year used to define the minimum nonforfeiture amount shall be an amount not less than zero and shall be equal to the corresponding gross considerations credited to the contract during that contract year less an annual contract charge of thirty dollars and less a collection charge of one dollar and twenty-five cents per consideration credited to the contract during that contract year. The percentages of net considerations shall be sixty-five per cent of the net consideration for the first contract year and eighty-seven and one-half per cent of the net considerations for the second and later contract years. Notwithstanding the provisions of the preceding sentence, the percentage shall be sixty-five per cent of the portion of the total net consideration for any renewal contract year which exceeds by not more than two times the sum of those portions of the net considerations in all prior contract years for which the percentage was sixty-five per cent. *M.G.L. c. 175, §144A 2.(a)*
- With respect to contracts providing for fixed scheduled considerations, minimum nonforfeiture amounts shall be calculated on the assumption that considerations are paid annually in advance and shall be defined as for contracts with flexible considerations which are paid annually with the two following exceptions:
 - (1) The portion of the net consideration for the first contract year to be accumulated shall be the sum of sixty-five per cent of the net consideration for the first contract year plus twenty-two and one-half per cent of the excess of the net consideration for the first contract year over the lesser of the net considerations for the second and third contract years.
 - (2) The annual contract charge shall be the lesser of (i) thirty dollars or (ii) ten per cent of the gross annual considerations. *M.G.L. c. 175, §144A 2.(b)*
- With respect to contracts providing for a single consideration, minimum nonforfeiture amounts shall be defined as for contracts with flexible considerations except that the percentage of net consideration used to determine the minimum nonforfeiture amount shall be equal to ninety per cent and the net consideration shall be the gross consideration less a contract charge of seventy-five dollars. *M.G.L. c. 175, §144A 2.(c)*
- Any contract which does not provide cash surrender benefits or does not provide death benefits at least equal to the minimum nonforfeiture amount prior to the commencement of any annuity payments must include a statement in a prominent place in the contract that such benefits are not provided. *M.G.L. c. 175, §144A 7.*
- For any contract which provides, within the same contract by rider or supplemental contract provision, both annuity benefits and life insurance benefits that are in excess of the greater of cash surrender benefits or a return of the gross considerations with interest, the minimum

nonforfeiture benefits shall be equal to the sum of the minimum nonforfeiture benefits for the annuity portion and the minimum nonforfeiture benefits, if any, for the life insurance portion computed as if each portion were a separate contract. Notwithstanding the provisions of subdivisions 3, 4, 5, 6 and 8 of chapter 144A, additional benefits payable (a) in the event of total and permanent disability, (b) as reversionary annuity or deferred reversionary annuity benefits, or (c) as other policy benefits additional to life insurance, endowment and annuity benefits and considerations for all such additional benefits, shall be disregarded in ascertaining the minimum nonforfeiture amounts, paid-up annuity, cash surrender and death benefits that may be required by this section. The inclusion of such additional benefits shall not be required in any paid-up benefits, unless such additional benefits separately would require minimum nonforfeiture amounts, paid-up annuity, cash surrender and death benefits. *M.G.L. c. 175, §144A 9.*

